

ONGOING AND ONE-TIME REDUCTIONS IN COMPENSATION COSTS

In response to questions about the difference between ongoing vs. one-time reductions, below are brief explanations.

Ongoing Reductions in Compensation Costs

An ongoing reduction in personnel costs provides ongoing savings for future years. An ongoing reduction becomes the status quo and future budgets and forecasts would include the savings. Consequently, ongoing reductions in compensation costs help solve the structural budget deficit.

Examples of Ongoing Reductions in Compensation Costs:

- Reductions in base pay
- Changes in health care plan design (increased co-pays, etc.)
- Increase in employee healthcare cost sharing
- Elimination or reduction in premium pays or other benefits

These kinds of changes continue unless and until they are changed through future negotiations and/or future Council action.

One-Time Reductions in Compensation Costs

A one-time reduction ***temporarily*** reduces compensation costs and only yields savings for a specific period of time. The change does not become the status quo and typically includes an end-date. Any budget shortfall closed with savings from a one-time reduction would reoccur in the next fiscal year.

Examples of One-Time Reductions in Compensation Costs:

- Unpaid furloughs
- Temporary pay reductions
- Increases in employee retirement contributions beyond those established by the retirement boards for a specified period of time that would reduce the contributions the City would otherwise be required to make
- Suspending or reducing premium pays for a temporary period of time

A specific example of a one-time reduction in personnel costs would include reducing the pay of employees by 5%, but only for one year. This would generate savings for a year. However, after the year, employees would automatically receive a 5% pay increase.

NOTE: The examples provided above are only examples and are not intended to be a complete list.